

Message Text

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SUBJECT: COMMERCIAL PRESENCE FAIR - NINTH PACIFIC INTERNATIONAL
FAIR - LIMA, PERU - NOVEMBER, 1975

REF: A) DEPARTMENT'S A-9254, NOV. 8, 1973; B) LIMA 10339

SUMMARY: U.S. PARTICIPATION IN FIRST WORLD MINING FAIR (TEC-
NOMIN '74) WAS COMMERCIAL AND POLITICAL SUCCESS. SIGNIFICANT
SALES WERE MADE WHICH WILL CONTRIBUTE TO HIGHER LEVEL OF U.S.
EXPORTS TO PERU, PARTICULARLY IN BASIC CONSTRUCTION AND MINING
MACHINERY SECTORS. FROM POLITICAL STANDPOINT, PARTICIPATION
INDICATED TO PERU THAT U.S. INTERESTED IN MARKET AND THAT U.S.
INTENDS TO MAKE AS MUCH EFFORT TO SELL IN PERU AS IN OTHER
COUNTRIES.

BASED ON TECNOMIN RESULTS, EMBASSY STRONGLY RECOMMENDS
THAT U.S. PARTICIPATE IN NINTH PACIFIC INTERNATIONAL FAIR
SCHEDULED FOR LIMA DURING NOVEMBER, 1975. BOTH ON COMMERCIAL
AND POLITICAL GROUNDS, EMBASSY RECOMMENDS THAT DOC DESIGNATE THE
PACIFIC INTERNATIONAL FAIR AS A CLASS A PARTICIPATION AS SET
FORTH REF. A). END SUMMARY.

1. AS REPORTED SEPARATELY, U.S. PARTICIPATION IN TECNOMIN
PRODUCED OFF THE FLOOR SALES OF \$4 MILLION AND POTENTIAL
SALES OVER NEXT TWELVE MONTHS OF OVER \$21 MILLION. THESE TOTALS
REPRESENT 20 PERCENT AND 100 PERCENT, RESPECTIVELY, OF 1973 U.S.

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EXPORTS TO PERU OF CONSTRUCTION AND MINING MACHINERY EQUIPMENT.

U.S. PAVILION WAS THE MOST ATTRACTIVE AND DREW THE MOST VISITORS OF ANY OF THE NATIONAL PAVILIONS. IN ADDITION TO THE COMMERCIAL RESULTS, SIGNIFICANT INTANGIBLE RESULTS WERE ACHIEVED. THE OCCASION MARKED THE FIRST U.S. PARTICIPATION IN A PERUVIAN TRADE SHOW SINCE 1967. THIS PREVIOUS LACK OF PARTICIPATION HAD BEEN RESENTED BY MANY GOVERNMENT OFFICIALS AND BY MANY BUSINESSMEN WHO FELT THE U.S. WAS NOT INTERESTED IN PERU AND DID NOT SUPPORT ITS OWN FIRMS IN MAINTAINING AND STRENGTHENING THEIR POSITION IN AN IMPORTANT MARKET. THIS RESENTMENT HAS BEGUN TO CHANGE IN THE FACE OF U.S. TECNOMIN PAVILION, WHICH WAS THE LARGEST OVERALL (ABOUT 6,500 SQUARE METERS OF OUTSIDE AND INSIDE SPACE) AND THE BEST DESIGNED AND EQUIPPED.

2. THE EMBASSY NOW RECOMMENDS THAT THE U.S. CONTINUE TO CAPITALIZE ON THE FAVORABLE IMPACT OF OUR PARTICIPATION IN TECNOMIN BY ALSO PARTICIPATING IN THE NINTH PACIFIC INTERNATIONAL FAIR. IN ADDITION TO COMMERCIAL IMPACT DESCRIBED BELOW, U.S. PARTICIPATION WOULD CONTRIBUTE TO U.S. PRESTIGE. PARTICIPATION WOULD ALSO BE CONSIDERED AS AN INDICATION OF OUR DESIRE THAT RELATIONS WITH PERU PROCEED ON A NORMAL AND ACCEPTABLE BASIS AND THAT WE ARE SINCERLY INTERESTED IN THE COUNTRY'S PROGRESS AND PROSPERITY.

3. THE PACIFIC INTERNATIONAL FAIR IS THE MAJOR TRADE FAIR IN PERU AND IS HELD EVERY TWO YEARS. IT ATTRACTS LARGE NUMBERS OF PERUVIAN VISITORS AS WELL AS SOME VISITORS FROM OUTSIDE THE COUNTRY. IT IS THE ONLY REGULAR SHOWCASE AVAILABLE FOR COUNTRIES TO EXHIBIT THE LATEST IN CAPITAL EQUIPMENT AND FOR IMPORTERS TO BRING IN EQUIPMENT OUTSIDE OF THE PRESENT SYSTEM OF IMPORT CONTROLS. SINCE 1967, THE U.S. HAS BEEN NOTABLE FOR ITS ABSENCE, WHICH AS MENTIONED BEFORE ALWAYS PRODUCED RESENTMENT AND A FEELING THAT IT HAD GIVEN UP ON THE PERUVIAN MARKET, DESPITE THE FACT THAT ACCORDING TO OFFICIAL U.S. STATISTICS WE EXPORTED OVER \$413 MILLION TO PERU DURING 1973. DESPITE THIS SIZEABLE MARKET, U.S. HAS CONSISTENTLY REFRAINED FROM PARTICIPATING IN THE MOST IMPORTANT TRADE FAIR IN THE COUNTRY.

4. EMBASSY REALIZES THAT PARTICIPATION IN THE PACIFIC FAIR WILL NOT PRODUCE THE SAME IMMEDIATE COMMERCIAL PAYOUT AS TECNOMIN. WE BELIEVE, HOWEVER, THAT SUBSTANTIAL SALES WILL BE

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MADE WHICH, TOGETHER WITH THE POLITICAL FACTORS DESCRIBED PREVIOUSLY, FULLY JUSTIFIES DESIGNATION OF PACIFIC FAIR AS CLASS A COMMERCIAL PRESENCE FAIR.

5. AS PRESENTLY ENVISAGED, EMBASSY WOULD USE SAME PAVILION AS DURING TECNOMIN AND USE SAME EXHIBIT LAY OUT, WITH MINIMAL REDECORATION COSTS, THAT WAS LEFT ON-SITE AFTER TECNOMIN. EMBASSY WILL PROCURE 25-30 COMPANIES AND BELIEVES THAT IT CAN

RENT A MINIMUM OF 30 REGULAR SIZED STANDS. A SUITABLE THEME WOULD BE WORKED OUT WITH COMMERCE, BUT THE THEME SHOULD BE AS BROAD AND GENERAL AS POSSIBLE IN ORDER TO ALLOW THE GREATEST LEEWAY IN RECRUITMENT OF EXHIBITORS. MOST, IF NOT ALL, WOULD BE FIRMS ALREADY IN THE MARKET. U.S. PARTICIPATION WOULD AFFORD SUCH FIRMS AN OPPORTUNITY TO BRING IN CAPITAL EQUIPMENT WITHOUT CHARGE TO THEIR IMPORT QUOTAS. BASED ON THE PRESENT STRICT SYSTEM OF IMPORT AND FOREIGN EXCHANGE CONTROLS, U.S. PARTICIPATION WOULD THUS ALLOW OUR MANUFACTURERS TO BRING IN CAPITAL EQUIPMENT OVER AND ABOVE THE IMPORT ALLOCATION ESTABLISHED BY THE GOVERNMENT, A SIGNIFICANT ADVANTAGE IN INCREASING OUR SALES IN PERU WHICH OTHERWISE COULD NOT TAKE PLACE BECAUSE OF IMPORT RESTRICTIONS. EVERY INDICATION IS THAT THE GOP WILL CONTINUE TO GRANT THIS SPECIAL CONCESSION TO NINTH PACIFIC FAIR AS IT DID TO TECNOMIN. USIS WOULD HAVE SPACE FOR ITS OWN EXHIBIT.

6. BASED ON THE ABOVE TYPE OF PARTICIPATION, A TENTATIVE BUDGET FOLLOWS:

REVENUES:

EXHIBITORS' CONTRIBUTIONS \$36,000 (30 BOOTHS X \$1,200)

DOC CONTRIBUTION \$15,000

TOTAL: \$51,000

EXPENDITURES:

RENT \$22,500 (1,512 SQ.MTS. X \$15)

DECORATION \$14,000 (REPAINTING, GRAPHICS,
ETC.)

ADMINISTRATION \$14,500 (PAVILION COSTS PLUS
HOSPITALITY)

TOTAL: \$51,000

ABOVE BUDGET ESTIMATES TAKE INTO ACCOUNT REASONABLE AMOUNT OF INFLATION DURING NEXT YEAR AND FACT THAT PACIFIC FAIR IS OPENED LONGER THAN TECNOMIN.

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7. IN ADDITION TO A DOC CONTRIBUTION OF \$15,000, THE EMBASSY WOULD REQUIRE THE SERVICES OF AN EXPERIENCED PAVILION MANAGER AS WAS PROVIDED FOR TECNOMIN.

8. IF THE EMBASSY IS SUCCESSFUL IN RENTING BOOTHS ABOVE THE 30 LEVEL, THERE WOULD BE A CORRESPONDING DECREASE IN THE DOC CONTRIBUTION. IN PERU, IT IS DIFFICULT TO PROJECT ONE YEAR IN ADVANCE. THE EMBASSY, HOWEVER, WOULD MAKE EVERY EFFORT TO PROCURE THE HIGHEST POSSIBLE NUMBER OF FIRMS.

ACTION REQUESTED:

IN VIEW OF THE FACT THAT THE PACIFIC FAIR MEETS BOTH COMMERCIAL AND POLITICAL RATIONALE SET FORTH DEPARTMENT A-9254, NOV. 8, 1973, EMBASSY RECOMMENDS THAT IT BE DESIGNATED A CLASS A

COMMERCIAL PRESENCE FAIR FOR FY 1976. IN ORDER START RECRUITMENT
OF FIRMS, URGENTLY NEED DECISION ASAP.
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